

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01  
CIAE-00 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07  
SP-02 SS-15 STR-05 TRSE-00 ACDA-07 FEA-01 /101 W  
-----056609 060234Z /61

R 051158Z OCT 77

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 4879

INFO AMEMBASSY OSLO

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E.O. 11652: N/A

TAGS: ENRG IR

SUBJ: ENERGY: IRANIAN/NORWEGIAN/U.S. LIQUEFIED

NATURAL GAS (LNG) DEAL

1. ON THE OCCASION OF DINNER HOSTED BY NORWEGIAN AMBASSADOR  
HERE IN HONOR OF VISITING NORWEGIAN SHIP BUILDING REPS AND  
OFFICERS OF COLUMBIA NATURAL GAS OF U.S., AMBASSADOR AND  
EMBOFF WERE GIVEN SOME DETAILS OF APPARENT AGREEMENT IN  
PRINCIPAL REACHED BY THESE TWO PARTIES WITH NATIONAL  
IRANIAN GAS COMPANY (NIGC) ON EXPORT OF LNG TO U.S.  
ALTHOUGH COLUMBIA NATURAL GAS HAS APPARENTLY BEEN IN  
TOUCH WITH DEPARTMENT OFFICERS (EB), FOLLOWING ESSENTIAL  
ELEMENTS OF THIS LNG DEAL ARE GIVEN FOR DEPARTMENT'S  
INFORMATION.

2. NIGC WILL SUPPLY 400 MILLION CUBIC FEET PER DAY  
FROM ITS PARS FIELD IN THE PERSIAN GULF TO A LIQUEFACTION  
FACILITY TO BE BUILT AND PLACED ABOARD BARGES IN PERSIAN  
GULF. LNG PRODUCED WILL BE SHIPPED TO U.S. AND MARKETED  
BY COLUMBIA NATURAL GAS. BARGES AND RELATED  
FACILITIES WILL BE BUILT BY NORWEGIAN FIRM MOSS  
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ROSENBERG VERFT A.S. OF MOSS, NORWAY AT COST OF  
APPROXIMATELY 500 MILLION DOLLARS. PRE-TREATMENT PLANT  
TO EXTRACT HYDROGEN SULFIDE WILL PROBABLY BE BUILT BY  
SALZGITTER OF FRG BUT MOST OF REMAINING EQUIPMENT WILL  
COME FROM U.S. PER UNIT PRICE OF LNG STILL UNDER  
DISCUSSION BUT BOTH NORWEGIAN AND U.S. REPRESENTATIVES  
THOUGHT THIS MIGHT BE IN THE NEIGHBORHOOD OF \$14.00 PER

BARREL OIL EQUIVALENT. AGREEMENT WILL LAST FOR TWENTY YEARS.

3. A SERIOUS SNAG AROSE EARLIER THIS WEEK IN THE NEGOTIATIONS ON THE FINANCING OF THE BARGE CONSTRUCTION. NORWEGIAN INTERESTS HAVE OFFERED TO SUPPLY 90 PERCENT OF THIS FINANCING WITH APPROPRIATE GUARANTEES BY NORWEGIAN GOVERNMENT. HOWEVER, GOI IS INSISTING THAT GOI PAYMENTS TO NORWEGIANS BE TIED TO GOI'S INCOME FROM THE LNG SALES, I.E., PAYMENTS TO NORWEGIANS WOULD BE REDUCED OR SUSPENDED WHEN INCOME FROM SALES OF LNG TO COLUMBIA LAG FOR ANY REASON. NORWEGIANS ARE RESISTING THIS NITION.

ALTHOUGH COLUMBIA REPS BELIEVE THAT IRANIANS HAVE MADE A GOOD CASE FOR LINKING LOAN REPAYMENTS TO SALES INCOME.

4. SENIOR U.S. OFFICIAL OF COLUMBIA NATURAL GAS, MR. ORLOVSKY, ASSURES US THAT COLUMBIA ALREADY HAS "AGREEMENT IN PRINCIPAL" FROM U.S. AUTHORITIES. MR. ORLOVSKY MENTIONED RECENT DISCUSSIONS IN DEPARTMENT AND WITH O'LEARY OF FEA AND CUTLER OF SCHLESINGER STAFF. HE DID NOT PROVIDE US ALL OF THE DETAILS OF THESE DISCUSSIONS AND ALLEGED "AGREEMENT IN PRINCIPAL" BUT DID SAY THAT AS A CONSEQUENCE THEREOF, WORK COULD BEGIN ON THE CONSTRUCTION OF LIQUEFACTION FACILITIES IN ADVANCE OF LIMITED OFFICIAL USE

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FORMAL U.S. FEDERAL POWER COMMISSION APPROVAL.

5. SUMMARIES OF CONVERSATIONS COLUMBIA NATURAL GAS HAS HAD WITH THE USG OFFICIALS, AS GIVEN TO US BY COLUMBIA REPS, SEEM TO BE SOMEWHAT AT VARIANCE WITH FPC APPROVAL PROCESS WHICH WE HAVE HITHERTO UNDERSTOOD MUST BE COMPLETED, AND WITH FAVORABLE FINAL DETERMINATION, BEFORE THIS IRANIAN/NORWEGIAN/U.S. DEAL COULD REALLY BEGIN. EMBASSY WOULD APPRECIATE RECEIVING FROM DEPARTMENT AUTHORITATIVE STATEMENT ON USG ATTITUDE TOWARDS ABOVE TRILATERAL ARRANGEMENT. SULLIVAN

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NNN

## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Date:** 22 May 2009  
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**Subject:** ENERGY: IRANIAN/NORWEGIAN/U.S. LIQUEFIED NATURAL GAS (LNG) DEAL  
**TAGS:** ENRG, IR  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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